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SIPDIS

SENSITIVE

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SUBJECT: DOMINICAN CONGRESSIONAL LEADER OPTIMISTIC ABOUT
TAX PACKAGE DESPITE POSTURING

1. (SBU) On August 11 President of the Dominican House of Representatives Alfredo Pacheco told Charge and EcoPol counselor that he expected, in the worst of cases, to obtain House approval for the first reading of the tax reform package on August 12. Congressional procedure requires two approvals of a measure before it is transmitted to the other house. Pacheco said he expected the House to finish with the measure by August 20, the end of the first week of the Fernandez administration.

2. (U) President Mejia delivered the tax package to the lower house a month ago and, as promised, did not change anything in the draft drawn up by advisors to President-elect Fernandez. Hearings in the House Finance Committee have been extensive. All sectors agree on the need to raise government revenues but each has had its own case to plead. House Finance Committee chair Marino Collante has told the press that members of "95 percent" of the way to agreement.

3. (SBU) Pacheco appeared confident that major differences had been ironed out. He mentioned, as an example, the agreement to take the suggestion of the commercial banking association to replace a 15 percent tax on interest with a levy of 0.15 percent of the amount transferred by checks -- Pacheco said that the committee decided to exclude ATM transactions, as a measure of relief for the middle class.

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On to the Senate
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4. (SBU) Pacheco's re-election as president of the House on August 16, before presidential inauguration ceremonies, is virtually assured, since there are no other serious contenders. Sen. Andres Bautista is expected to win election as President of the Senate. Pacheco and Bautista met earlier this week with Monsignor Agripino Nunez, who was urging early passage of the tax package. Bautista, a member of the soon-to-be-opposition PRD, assured Nunez that the Senate would finish its work on taxes "within 30 days, because of the needs of the country."

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Party Headquarters Oppose
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5. (U) Newspaper stories on August 12 were suggesting complications. The PRD party headquarters issued a formal statement, conditioning party acceptance of tax measures upon enactment of a 30 percent increase in salaries in both private and public sectors and a program to continue subsidies for cooking gas and to assure reasonable prices for staples and essential items. The PRSC Executive Committee approved a resolution calling for the measure to be considered only after the August 16 inauguration, and instructed its representatives to walk out of any earlier plenary discussion of the project.

6. (SBU) Comment: We see these reactions as posturing, while the new opposition awaits to engage Fernandez after his own term begins next week. No one really wants another 30 days of threadbare debate on these measures, which are, even as now drafted, only the barest starting point for bringing the IMF back to the table.

KUBISKE